Title: Doing the Right Thing? Does Fair Share Capitalism Improve Firm Performance?

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Abstract: Despite theoretical predictions that incentive payments can enhance productivity and thus company performance, there is conflicting empirical evidence substantiating a link. Using cross-sectional and panel evidence from British establishments in the Workplace Employment Relations Survey 2004 (WERS), this paper tests the following propositions: (i) that group pay incentives, coupled to group decision-making, is associated with (a) improved employee well-being (b) increased organizational loyalty and (c) workplace performance; (ii) the presence of group pay incentives or group decision-making in isolation has non-significant effects on (b) and (c) and may be detrimental to (a); (iii) the performance effects of group incentive pay coupled to group decision-making are greatest where the criteria for judging performance combine 'soft' and 'hard' measures of performance.

The paper uses the linked employer-employee feature of the 2004 data. Payment methods and workplace performance criteria (productivity and performance) will be measured using data from the Managerial Questionnaire (MQ). Employee measures of well-being will be taken from the Employee Quesionnaire. We shall test the sensitivity of results to the use of managerial and employee measures of employee involvement in decision-making. We will also analyse the impact of 1998 pay for performance regimes, and changes in those regimes, on changes in performance of panel workplaces over the period 1998-2004.

We shall compare results using the subjective measures of performance/productivity in the MQ with analyses of productivity/performance taken from the FPQ and Annual Business Inquiry data. The latter will include measures of performance relative to industry averages – proxying the data collected in the MQ – and levels of performance which are not available in WERS.